6537.0 - Government Benefits, Taxes and Household Income, Australia, 1998-99

ARCHIVED ISSUE Released at 11:30 AM (CANBERRA TIME) 16/08/2001

MEDIA RELEASE

August 16, 2001 | Embargoed 11:30am (AEST) | 106/2001

Government benefits and taxes across households

The 40% of households with the lowest incomes received 66% of government cash benefits in 1998-99, according to an Australian Bureau of Statistics (ABS) study released yesterday.

The study, of the effect of government benefits and taxes on the income of private households in 1998-99, was carried out using data collected in the 1998-99 Household Expenditure Survey.

When ranked according to gross income (private incomes plus government cash benefits), the 40% of households with the lowest incomes (gross weekly incomes less than $550) received 66% of the cash pensions and allowances paid by government. These lower income households had, on average, private incomes of $112 per week, with cash benefits contributing a further $174 per week (or about 60% of their gross incomes). The 40% of households with the highest incomes (gross weekly incomes greater than $881) received 15% of cash benefits.

Indirect benefits provided through government services in the areas of health, education, housing and other social security and welfare were much more evenly distributed, with 38% of benefits received by the 40% of households with the lowest incomes and 41% received by the 40% of households with the highest incomes.

In terms of taxes, the lower income households paid 3% of personal income taxes and 24% of the indirect taxes studied. The higher income households paid 86% of personal income taxes and 58% of the indirect taxes studied.

The study also found that benefits and taxes varied significantly throughout the life cycle. Households comprising couples under 35 without children had an average gross weekly income of $1,220; paid $375 per week in selected taxes; and received the equivalent of $96 per week in selected benefits.

Households comprising couples with dependent children had average gross weekly incomes of $1,127; paid similar weekly taxes of $352; but received greater average weekly benefits, equivalent to $373. Most of the benefits were in the form of education benefits ($173), health benefits ($91) and family payments ($55).

Couples aged 65 and over had considerably lower average gross weekly incomes of $429, paid $89 per week in taxes and received weekly benefits equivalent to $332.

Similar studies were conducted for 1984, 1988-89 and 1993-94. Comparing the results of the four studies, the 20% of households with the lowest incomes appeared to be receiving a decreasing proportion of total benefits (down from 24.6% in 1984 to 20.5% in 1998-99), largely reflecting changes in the size and composition of low income households. These households tended to be smaller and younger than they were a decade ago.

The results from this 1998-99 study, together with those from the next study which will be carried out using the results of the 2003-04 Household Expenditure Survey, will provide a "before and after" picture of the effect of the New Tax System on the incidence of government taxes and benefits.

Details are in **Government Benefits, Taxes and Household Income, Australia, 1998-99** (cat. no. 6537.0), available from **ABS Bookshops** in all capital cities.

This page last updated 12 June 2007

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